



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, DC 20380-0001

MCO 4440.31E
LPP-2
23 Jun 89

MARINE CORPS ORDER 4440.31E

From: Commandant of the Marine Corps
To: Distribution List

Subj: MARINE CORPS RETENTION AND EXCESS RETURNS POLICIES FOR
WHOLESALE AND RETAIL MATERIEL ASSETS

Ref: (a) MCO P4400.150C
(b) DoD 4160.21-M
(c) DoD 5105.38-M
(d) Foreign Assistance Act of 1961 (NOTAL)
(e) DoD 7290.3-M
(f) MCO 4920.1
(g) DoD 7220.9-M
(h) U.S.C. 2547 (NOTAL)
(i) CMS 4L
(j) DoD 4140.17-M
(k) MCO 4440.30C
(l) MCO P4400.151

Encl: (1) Definitions
(2) Retention Guidelines
(3) Materiel Assets Returns Decision Model

1. Purpose. To provide policy for the retention, transfer, or return of principal and secondary wholesale and retail assets.

2. Cancellation. MCO 4440.31D.

3. Scope. The contents of this Order apply to servicable principal or secondary items which are identified by a national stock number (NSN) regardless of funding source. Definitions are provided in enclosure (1).

4. Policy

a. Retention Policy

(1) Principal and secondary assets shall be stratified appropriately as approved force acquisition objective (AFAO) stock, approved force retention stock (AFRS), economic retention stock (ERS), contingency retention stock (CRS), numeric retention stock (NRS), and potential excess (PE) stock. Guidelines for the use of these strata are contained in enclosure (2).

(2) The Marine Corps inventory control point (ICP) shall retain wholesale assets up to the sum of the AFAO, AFRS, ERS, CRS, and NRS.

(3) Retail activities shall retain assets below the wholesale level equal to the sum of the approved prepositioned war reserve materiel requirement (PWRMR) and requisitioning objective and, in addition, for secondary items only, a maximum of 36 months at anticipated issue or wear-out rates. Care has been taken to ensure that the retention limit is sufficient to minimize the return and rerequisitioning of the same assets.

(4) Prepositioned war reserve (PWR) medical stocks at overseas locations with less than 12 months of remaining shelf-life shall be reported to the Defense European and Pacific Redistribution Activity (DEPRA).

(5) The establishment of retention limits does not prevent the lateral redistribution of assets among retail level activities. Maximum use shall be made of lateral redistribution procedures established by Department of Defense (DoD) ICP's and integrated materiel managers (IMM's).

(6) Assets shall be retained which are serviceable or economically reparable and have application to a weapon system in active use by the Marine Corps.

(7) The retention limits specified in the preceding shall be subject to shelf-life and storage limitation considerations.

(8) Within the retail level inventory, consumer level inventories are not authorized retention level above operating stocks except as provided in reference (a).

b. Transfer Policy

(1) Transfers Within the DoD

(a) Transfers of assets within the AFAO will be reimbursable.

1 Marine Corps wholesale activities shall furnish assets that exceed current fiscal year requirements to other DoD components having a current fiscal year buy or repair requirement.

2 If the requirement has been assigned a Uniform Materiel Movement and Issue Priority System (UMMIPS) designator within Issue Priority Group I (priorities 01-03), Marine Corps activities shall honor the request for assets and process the requisition on a fill or kill basis considering onhand assets to the same extent they would to satisfy Marine Corps-originated requisitions.

(b) Transfers of assets in excess of the AFAO shall be nonreimbursable.

1 Assets within the Marine Corps retention limit, other than those under the control of DoD IMM's, shall be made available to fill deficiencies in the AFAO of another DoD component.

2 Assets identified as PE stock, except those owned by DoD IMM's, shall be made available to other DoD components for requirements within their retention limit.

3 Assets under the control of DoD IMM's shall be made available to fill deficiencies in a DoD component's PWRMR.

4 Transfers of assets between DoD components shall be per reference (b).

(c) Transfers of excess assets from one retail activity to another shall be without reimbursement when directed and controlled by a wholesale manager.

(2) Transfers to Allied Forces. Transfers to non-United States forces shall meet commitments of the United States. Assets shall be transferred to eligible countries and international organizations per reference (c). The pricing of such assets and applicable accessorial charges shall conform to references (d) and (e). Cooperative logistics supply support arrangement (CLSSA) transactions shall be completed per reference (f).

(3) Transfers to Federal Civil Agencies

(a) With the exception of DoD excess materiel, the transfer of assets to agencies outside of the DoD shall require reimbursement per reference (g), chapter 26.

(b) Transfers of DoD excess materiel to agencies outside the DoD shall be per reference (b) and chapter 26 of reference (g).

(c) Transfers of DoD nonlethal supplies may be made to the Department of State pursuant to reference (h).

(4) Transfers of Cryptological Materiel. Transfers of cryptological materiel, including communications security materiel, shall be accomplished per current National Security Agency/Central Security Service (NSA/CSS) regulations and reference (i).

c. Return Policy--Retail Assets

(1) All serviceable or economically repairable assets excess to the holding retail activity's retention limit shall

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be reported to the wholesale manager. Reports shall be per reference (j). Reports shall be for full unit-of-issue quantities only. Guidance on unit of issue is contained in reference (k).

(2) The wholesale manager shall advise the holding retail activity that the reported assets are authorized to be returned to wholesale stocks, should temporarily be retained, or are not returnable. The wholesale manager's decision shall be based on the guidance contained in paragraphs 4a(5) and (6), preceding, and the economic and noneconomic factors established by the Commanding General, Marine Corps Logistics Base, Albany, GA, pursuant to enclosure (3). Assets not authorized for return or temporary retention shall be subject to the retail holding or disposal policies contained in reference (1).

(3) Authorized returns of assets within the AFAO (less the currently unfunded portion of the war reserve requirement) of the wholesale manager shall be with credit. Authorized returns of assets in excess of the AFAO, or to satisfy the currently unfunded war reserve requirement, shall be without credit. However, in the case of nonconsumable assets that can be repaired economically, a credit allowance may be allowed for unserviceable turn-ins (except free issue items).

5. Procedures

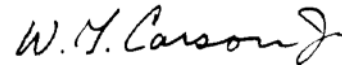
a. The shipper shall pay packing, crating, handling, and transportation (PCH&T) costs for transfers within the DoD supply system, for transfers from property disposal activities to DoD components, and for returns from DoD components to supply system inventories, including stock fund returns with or without credit and transfers from one DoD stock fund or division to another.

b. The recipient (consignee) shall pay PCH&T costs for transfers from property disposal activities to foreign governments or authorized non-DoD customers or donees. (The supply activity performing PCH&T services for a property disposal activity shall be reimbursed directly for such services by the recipient.) Funding for PCH&T costs for reclamation actions shall be per reference (b).

c. When nonappropriated fund property is transported for DoD morale, welfare, and recreation activities, PCH&T shall be applied per reference (g), chapter 26.

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6. Reserve Applicability. This Order is applicable to the Marine Corps Reserve.



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DEFINITIONS

1. Approved Force Acquisition Objective (AFAO). The quantity of an item authorized for peacetime acquisition to:

a. Equip and sustain the U.S. approved forces per current Defense guidance:

(1) To provide approved peacetime operating stocks of spares and repair parts to achieve explicit weapon systems availability goals at planned operating tempos, other materiel support, and personnel support stocks.

(2) To provide materiel to support wartime requirements from D-day through the period prescribed in the current Joint Strategic Capabilities Plan.

b. Equip and sustain allied forces by satisfying:

(1) Requirements of approved programs including the Military Assistance Program and Foreign Military Sales Program.

(2) Wartime requirements from D-day through the period and at the level of support prescribed for those allies authorized this support in the current Defense guidance.

c. Provide support for other U.S. Government departments and agencies, as authorized.

2. Approved Force Retention Stock (AFRS). The quantity of an item in addition to the AFAO required to equip and support the U.S. approved forces from D-day until production equals the rate at which the item is required (D-to-P) (applies either to the situation where a part of the approved force structure is not authorized indefinite support, or where the requirement for forces authorized indefinite support is not computed on a D-to-P basis; e.g., 6 months' combat consumption).

3. Contingency Retention Stock (CRS). That portion of the quantity of an item excess to the AFAO and AFRS for which there is no predictable demand or quantifiable requirement, and that normally would be allocated as PE stock, except for a determination that the quantity will be retained for possible specific contingencies. (Category C ships, aircraft, and other items being retained as contingency reserve shall be included in this stratum.)

4. DoD Excess Materiel. Materiel determined to be unnecessary for the discharge of DoD responsibilities after completion of utilization screening among DoD components, per the policies and procedures prescribed by DoD 4160.21-M.

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5. DoD Integrated Materiel Managers (IMM's). Defense Logistics Agency and military service ICP's assigned DoD intergrated management responsibility for a Federal supply group and/or class, commodity, or item.

6. Economic Retention Stock (ERS). That portion of the quantity of an item excess to the AFAO and AFRS determined to be more economical to retain for future peacetime issues instead of replacement of future issues by procurement. To warrant economic retention, items must have a reasonably predictable demand rate.

7. Inventory Control Point (ICP). An organizational unit or activity within a DoD supply system assigned the primary responsibility for the materiel management of a group of items either for a particular military service or for the DoD as a whole. Materiel inventory management includes cataloging direction, requirements computation, procurement direction, distribution management, disposal direction, and rebuild direction.

8. Numeric Retention Stock (NRS). The quantity of an item in excess of all identified requirement objectives except for which disposal is currently infeasible or uneconomical or for which a management decision has been made to retain stock in the supply system. Normally, NRS will be no greater than the sum of onhand and due-in assets.

9. Potential Excess (PE) Stock. The quantity of an item above all authorized retention levels except for which final determination as DoD excess materiel has not been made.

10. Principal Items. End items and replacement assemblies of such importance that management techniques require centralized individual item management throughout the supply system to include depot level, base level, and items in the hands of using units. Specifically, these include items of which, in the judgment of the military services, there is a need for central inventory control, including centralized computation of requirements, central direction of distribution, and central knowledge and control of all assets owned by the military services. Principal items normally will be selected on the basis of their essentiality for combat or training, high monetary value, difficulty of procurement or production, or criticality of basic materials or components.

11. Requisitioning Objective. The maximum quantities of material to be maintained on hand and on order to sustain current operations. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement lead time, as appropriate.

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12. Retail Stock. Stock held below the wholesale level in either the intermediate or consumer level of inventory.
13. Retention Limit. The maximum quantity of an item of materiel that may be retained if it is in stock, as determined by applicable retention rules.
14. Secondary Items. End items and consumable and reparable items other than principal items.
15. U.S. Approved Forces. Forces specified in the 5-Year Defense Program and the Coast Guard when assigned to the Navy.
16. Wholesale Stock. Stock, regardless of funding sources, over which the inventory manager at the ICP level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

ENCLOSURE (1)

RETENTION GUIDELINES

1. AFAO and AFRS. The quantities of assets to be stratified as AFAO and AFRS shall be determined per current DoD instructions in the 4140 series. Appropriate elements contained in this Order may be used to establish AFAO and AFRS levels for principal items.

2. ERS

a. The ERS is developed by calculating an economic retention limit (ERL), which represents the maximum retention level of stock that could be economically justified to meet future peacetime requirements. ERS is the quantity of stock excess to the AFAO and AFRS requirement but within the ERL.

b. The ERL is based on true economic criteria, including potential future reprocurement costs, repair costs, depot survival rate, expected returns from disposal of materiel, costs of storing materiel, costs of transporting not-ready-for-issue assets, shelf-life constraints, and future peacetime demand expectations. To warrant ERS, an item must have a reasonably demand rate.

3. CRS

a. Information

(1) CRS is the quantity of an item excess to the AFAO and AFRS requirements and the ERL for which there is no predictable demand or quantifiable peacetime requirement, but for which specific special considerations or potential use in specific contingencies justify retention.

(2) Within the CRS, stock shall be stratified to one or more of the following subcategories:

(a) Subcategory A--Military Contingency. Assets may be retained in this subcategory to meet potential military contingencies for U.S. forces.

(b) Subcategory B--Foreign Military Demand. Assets may be retained in this subcategory in expectation of foreign military demand not covered by cooperative logistics agreements.

(c) Subcategory C--General Contingency. Assets may be retained in this subcategory based on potential usefulness, extreme reprocurement problems, or other special considerations involving nonmilitary contingencies, such as civil emergencies or natural disaster relief.

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b. Discussion

(1) Contingency retention rules reflect noneconomic factors that are difficult to quantify, subjective factors that cannot be incorporated in the economic rules, or exceptional situations. While the category of contingency retention encompasses a variety of difficult and often subjective concerns, contingency retention decisions for individual items must be based on consideration of specific potential contingencies or specifically identified factors, rather than general concerns. Given the varied nature of contingency retention decisions and the frequent requirements for subjective analysis, it may not be possible to specify explicit depth of stock rules for contingency retention.

(2) The most common justification for contingency retention is potential usefulness in specific situations not covered by economic retention criteria. Within this category, the most important basis for contingency retention is anticipated demands caused by war or military contingencies short of war. Military contingency can affect demand in several ways, including increased tempo of operations, different failure patterns, mobilization of inactive ships and planes, and acquisition of new forces. The only depth rule that is practical is that the retention quantity should be reasonable, given the nature of the potential demand.

(3) A second type of usefulness not reflected in ERS is foreign military demand that does not fall within a supply support agreement. Stock shall be retained to meet potential foreign military demand per DoD 5105.38-M.

(4) Some other specific potential requirements that may be included in contingency retention include disaster relief requirements or other civil emergencies, and potential emergency requirements for items that have been superseded by preferred items. Contingency retention may also be justified by extreme reprocurement problems for the item. The use of this category is based on a judgment that the reprocurement cost used in the ERS decision does not reflect fully the difficulty or expense of reprocuring the item. This situation could arise due to extremely long lead times, loss of a favored (or only) supplier, or other factors. Once again, the depth of stock retained shall be reasonable, given the magnitude of the reprocurement problems. In particular, this category of contingency retention is appropriate in cases where an explicit one-time buy has been made.

(5) Because of the difficulty of stating explicit depth rules for contingency retention, Marine Corps wholesale and

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retail supply activities shall implement detailed review procedures to validate contingency retention decisions. The first priority shall be to ensure responsible and competent review of contingency retention decisions. Review levels shall be based on the relative size of contingency retention compared to the AFAO requirement, as well as the current absolute dollar value review limits. Other factors, such as category of justification, shelf-life, or storage requirements, shall be used in determining the appropriate review level.

(6) Contingency requirements decisions shall be reviewed periodically. Relatively short time limits (1 to 2 years) shall be established for high dollar value contingency requirements. Longer limits (about 4 to 5 years) should be established for other items, unless special circumstances warrant a shorter time limit. When the time limit expires, the normal contingency establishment procedures must be repeated if the contingency requirement is to be continued.

(7) Finally, contingency decisions shall be documented on an item-by-item basis to allow management review of each specific decision and to provide a background file to support future contingency review decisions for the item.

4. NRS

a. Information. NRS is the quantity of an item in excess of all identified requirement objectives except for which disposal is currently infeasible or uneconomical, or for which a management decision has been made to retain stock in the supply system. Normally, NRS will be no greater than the sum of onhand and due-in assets. Within NRS, assets shall be stratified to the following subcategories:

(1) Subcategory A--Anticipated Nonrecoverable Assets. These assets reflect potential future condemnations from the repair process.

(2) Subcategory B--Uneconomic Partial Disposal. These assets reflect partial disposal quantities for which the cost of processing the disposal outweighs any potential benefits of disposal.

(3) Subcategory C--Unforecastable Demand. Assets may be retained in this subcategory to meet potential peacetime demand for items for which accurate demand patterns cannot be or are not yet established, specifically insurance or inactive items.

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(4) Subcategory D--Management Considerations. Assets may be retained in this subcategory based on special management considerations.

b. Discussion

(1) NRS bridges the gap between materiel that is retained because there is a reasonable expectation of a requirement for it and materiel being processed or about to be processed for disposal. Materiel in NRS is not needed to meet any specific requirement, but it is not considered prudent to process it for disposal.

(2) The first subcategory of NRS, anticipated nonrecoverable assets, represents expected future condemnations. During the repair process, it is expected that some unserviceable assets will have to be condemned as irreparable. The number of irreparable assets can be predicted confidently and represents a quantity of assets that cannot be used to meet future requirements. However, individual nonrecoverable units cannot be identified prior to attempted repair and are thus not available for disposal until that time.

(3) The second subcategory is used to hold quantities of stock for which the cost of partial disposal action cannot be justified. There is a significant cost to processing materiel for disposal. For disposals involving few units or low dollar values, this cost may outweigh any potential benefits. However, for specific items, local storage space shortages or unusually high disposal sales value may justify lower dollar value disposals, while low disposal sales value or high disposal processing costs may justify a higher threshold.

(4) The third subcategory is used to retain insurance or inactive items. Economic retention requires that an item have a reasonable predictable demand rate. This condition is not met for insurance or inactive items. However, items in this class may experience sufficient random demands to justify some additional retention that should be stratified to this subcategory. Since there is an extremely large number of insurance or inactive items with assets above the AFAO requirement, most with low dollar values of stock, it is essential to focus attention on those items with very high dollar values of assets above the AFAO.

(5) The fourth subcategory is used to retain assets based on management decisions recognizing unquantifiable economic reasons, potential usage, market availability, weapon system application, or storage capacity. The considerations that can justify retention of assets in this subcategory are

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similar to those used in justifying contingency retention, except that, unlike contingency retention, assets may be retained based on general concerns or factors.

5. PE Stock

a. Information. PE stock is the quantity of an item excess to all authorized retention levels for which final processing to disposal is pending.

b. Discussion. Stock may not be retained in PE stock for a longer period of time than is required to make a final determination whether or not the stock should be disposed of and to process it for disposal. If a determination is made to retain the stock, it must be restratified to AFAO, AFRS, ERS, CRS, or NRS.

ENCLOSURE (2)

MATERIEL ASSETS RETURNS DECISION MODEL

1. Information. On a daily basis, wholesale inventory managers are required to analyze reports of excess assets submitted by retail activities and to make decisions regarding the retention or disposal of the assets. Several factors, economic and noneconomic, are relevant to such decisions. The Commanding General, Marine Corps Logistics Base, Albany, shall establish decision models that are suitable for use by inventory managers considering the factors in the sequence given below.

2. Decision Model Factors

a. Diminishing Manufacturing Sources. The first criterion to evaluate is based on a readiness consideration, namely diminishing sources of supply for active items in the DoD inventory. Returns should be accepted for items that have been approved for life-of-type buys.

b. Economic Factors. It is necessary to determine if a proposed return should be accepted based on economic considerations. If the stock position of the item being considered for return is below the AFAO and if the marginal unit return cost (i.e., cost to return to the depot minus cost to dispose) is less than the unit reprocurement price, the return should be accepted. The item should not normally be authorized for return if on a per item basis it costs more to return than it would cost to reprocure. However, a return would still be accepted if the noneconomic criteria in paragraph 2c, following, apply.

c. Noneconomic Factors

(1) Weapon Systems. Per the policy specified in paragraph 4a(6) of the basic Order, items applicable to active weapon systems used by U.S. forces normally should be returned.

(2) Back Orders. Due to the mathematical aspects of economic return methodologies, an item could have a stock position exceeding its authorized economic return limit but still have outstanding back orders. This situation could result if a large portion of an item's assets were due in rather than on hand. Therefore, returns for items with outstanding back orders should be accepted.

(3) War Reserves. Returns for items authorized a war reserve level should be accepted if the war reserve stock requirements are not satisfied by the item's existing wholesale assets.

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(4) Lead Times. Economic return models normally assume that an item can be reprocured within an acceptable timeframe. In cases where it is expected that the lead time will be beyond an acceptable period, reported items should be returned.

(5) Demand History. If the economic return model does not address constant or increasing demand, the demand history criterion attempts to capture returns for these kinds of items. By comparing the item's current demand to its quarterly forecasted demand times a growth factor, inventory managers will be in a position to determine if increasing demand activity would justify accepting the return.

(6) Inventory Managers Override. Although models should be flexible, they will not be able to consider properly all possible conditions. Inventory managers should have sufficient responsibility related to the return of items to override the preceding criteria.

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